

Message Text

UNCLASSIFIED

PAGE 01 CANBER 03111 291032Z

20

ACTION EA-09

INFO OCT-01 ISO-00 EB-07 /017 W
----- 062789

R 290511Z APR 76
FM AMEMBASSY CANBERRA
TO USDOC WASHDC
INFO AMEMBASSY WELLINGTON
SECSTATE WASHDC 8041

UNCLAS CANBERRA 3111

PERSONAL FROM HARGROVE FOR UNDER SECRETARY OF COMMERCE
JAMES BAKER

DEPARTMENT FOR HABIB

E.O. 11652: N/A

TAGS: BGEN, BEXP, AMGT, AS

SUBJ: FUTURE OF SYDNEY TRADE CENTER

1. I URGE YOU TO PERSONALLY REEXAMINE THE REPORTED
COMMERCE DECISION TO CLOSE THE SYDNEY TRADE CENTER
THIS YEAR, IN ORDER TO FREE UP COMMERCE FUNDS TO
ESTABLISH A NEW CENTER IN BRAZIL.
2. I AM OBVIOUSLY NOT IN POSITION AT THIS DISTANCE TO
MAKE A FINAL JUDGMENT CONCERNING THE RELATIVE MERITS
OF SYDNEY VERSUS THE OTHER TEN EXISTING TRADE CENTERS
WHICH MIGHT BE CANDIDATES FOR CLOSURE, MUCH LESS
VERSUS THE PROJECTED NEW SAO PAULO TRADE CENTER.
BUT AFTER PERSONAL OBSERVATION OF THE OPERATION IN
SYDNEY AND LOOKING AT THE RECORD OF ITS
PAST OPERATION, I AM SATISFIED THAT THE CASE FOR SELECT-
ING SYDNEY FOR CLOSURE IN FAVOR OF SAO PAULO IS
FAR FROM SELF-EVIDENT. ON THE CONTRARY, I BELIEVE
THERE MAY BE A STRONG ECONOMIC CASE FOR RETAINING THE
SYDNEY CENTER.

3. THERE ARE TWO MAIN POINTS THAT SHOULD BE CONSIDERED.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 CANBER 03111 291032Z

THE FIRST POINT RELATES TO THE SPECIAL HISTORY OF THE

SYDNEY TRADE CENTER WHICH HAS AFFECTED ITS PRIOR PERFORMANCE AND WHICH SUGGESTS THAT IT CAN AND SHOULD OPERATE IN THE FUTURE ON A MORE PRODUCTIVE BASIS. THE SECOND POINT DEALS WITH THE GREAT POTENTIAL OF THE AUSTRALIAN MARKET FOR US EXPORTS.

4. AS TO THE FIRST POINT, THE PECULIAR FEATURE IN THE HISTORY OF THE SYDNEY CENTER MAY WELL HAVE CONTRIBUTED (AND IF SO, UNWISELY) TO ITS SELECTION FOR ABOLITION. WHEN COMMERCE ESTABLISHED THE SYDNEY CENTER IN 1970 IT DECIDED THAT, UNLIKE THE TRADE CENTERS IN OTHER INDUSTRIAL COUNTRIES, THE SYDNEY CENTER SHOULD OPERATE UNDER WHAT CAME TO BE REFERRED TO AS A "MARKET-SHARE CONCEPT". IN BRIEF THIS THESIS GENERALLY HYPOTHESIZED THAT (1) AUSTRALIA WAS TOO FAR FROM THE UNITED STATES TO MAKE IT REASONABLE TO EXPECT U.S. FIRMS NOT ALREADY IN AUSTRALIA TO USE THE TRADE CENTER AND THEREFORE (2) THE SYDNEY TRADE CENTER COULD NOT EXPECT TO ATTRACT SO-CALLED "NEW TO MARKET" U.S. FIRMS TO AUSTRALIA AND WOULD HAVE TO CONCENTRATE ON SUPPORTING THE EFFORTS OF ALREADY-ESTABLISHED ("OLD TO MARKET") FIRMS. SINCE TRADE CENTER SYDNEY WAS ESTABLISHED, THE NOTION OF DEVOTING USG RESOURCES TO SUPPORTING THE EFFORTS OF "OLD TO MARKET" FIRMS BECAME INCREASINGLY UNPOPULAR IN WASHINGTON BUDGETARY CIRCLES. FOR THIS REASON THE "MARKET SHARE" TAG IMPOSED ON THE SYDNEY CENTER AT ITS FOUNDING WAS NOT ONLY A QUESTIONABLE INITIAL LIMITATION ON THE TRADE CENTER'S PROGRAMMING, BUT IT BECAME A PROGRESSIVELY MORE SERIOUS BUREAUCRATIC LIABILITY IN WASHINGTON.

5. I DOUBT THAT THE "MARKET-SHARE CONCEPT" WAS EVER REALLY VALID FOR SYDNEY. EVERY U.S. EXPORT TO AUSTRALIA AND NEW ZEALAND OBVIOUSLY WAS "NEW TO MARKET" IN THE BEGINNING. MOREOVER, EVEN IF DISTANCE WAS ONCE A SERIOUS OBSTACLE TO THE ENTRY OF NEW U.S. EXPORTERS IN THE AUSTRALIAN MARKET, THE MAGNITUDE OF SUCH AN OBSTACLE SURELY HAS DIMINISHED AND IS DIMINISHING DAILY WITH MORE RAPID GLOBAL TRANSPORT AND COMMUNICATIONS. I ACCORDINGLY BELIEVE THAT THERE IS NO SOLID JUSTIFICATION FOR BELIEVING THAT A TRADE CENTER IN SYDNEY CANNOT CARRY ON THE SAME KIND OF NEW-TO-MARKET TRADE PROMOTION AS THOSE IN OTHER ADVANCED COUNTRIES SUCH AS SWEDEN, UK, JAPAN, WEST GERMANY, ITALY AND FRANCE.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 CANBER 03111 291032Z

YM ONE PROOF OF THIS PUDDING IS THE RECENT HIGHLY SUCCESSFUL "NEW TO MARKET" TELECOMMUNICATIONS SYSTEMS AND EQUIPMENT EXHIBITION STAGED BY THE CENTER (ON A "NEW TO MARKET" BASIS UNDER RECENT NEW GUIDELINES) APRIL 5-9. TWENTY-TWO OF THE 24 MAJOR PARTICIPATING U.S. COMPANIES IN THIS SHOW WERE NEW TO THE AUSTRALIAN MARKET. THE SHOW WAS SUCCESSFULLY RECRUITED BY COMMERCE IN THE UNITED STATES (DESPITE EARLIER DOUBTS THAT THIS

WAS POSSIBLE FOR SYDNEY) AND WAS SIGNIFICANTLY OVERSUBSCRIBED. SEVERAL PARTICIPANTS WHO HAD EXHIBITED IN A PARALLEL EXHIBIT IN THE LONDON TRADE CENTER LAST YEAR STATED THAT THE SYDNEY SHOW WAS MORE EFFECTIVE FOR THEIR PURPOSES AND THE AUSTRALIAN MARKET MORE PROMISING THAN THAT OF THE UNITED KINGDOM.

7. I BELIEVE IT IS IN U.S. INTEREST THAT THE TRADE CENTER CONTINUE IN OPERATION AS A NORMAL "NEW TO MARKET" CENTER, AND THAT AT THIS TIME WHEN THE AUSTRALIAN MARKET IS APPROACHING RECOVERY FROM A SERIOUS DEPRESSION, ITS CONTINUATION WOULD CONSTITUTE A MORE EFFECTIVE WORLDWIDE EMPLOYMENT OF COMMERCE AND USG TRADE PROMOTION RESOURCES THAN ITS CLOSURE.

8. MY SECOND, AND BROADER, POINT IS THAT I CANNOT UNDERSTAND ON WHAT ECONOMIC RATIONALE COMMERCE SELECTED SYDNEY, AMONG ITS EXISTING TRADE CENTERS, FOR CLOSURE IN FAVOR OF OPENING A NEW CENTER IN BRAZIL. THE COMMERCE DEPARTMENT'S STRATEGIC PLANNING DIVISION RECENTLY PREPARED A WELL-DONE STUDY ON HOW TO MAXIMIZE THE EFFECTIVENESS OF U.S. EXPORT PROMOTION STRATEGY IN 1975-1980 (SPD/OMP NUMBER 2, NOVEMBER 1975). THE STUDY IS A COMMENDABLE EFFORT TO PROVIDE A SOLID ANALYTICAL RATIONALE FOR OPTIMAL EMPLOYMENT OF USG TRADE PROMOTION RESOURCES IN COMING YEARS. IT CONCLUDES, AMONG OTHER THINGS, THAT U.S. OVERSEAS TRADE PROMOTION ACTIVITY AND FUNDS SHOULD BE REDIRECTED AWAY FROM NATIONS IN WHICH THE RATE OF REAL IMPORT GROWTH IS LIKELY TO BE RETARDED AND FOCUSED MORE ON THE RESOURCE-RICH AND HIGH GROWTH POTENTIAL COUNTRIES OF THE WORLD. APPENDIX A OF THE STUDY IDENTIFIES THE COUNTRIES IN THIS CATEGORY. THE LIST INCLUDES AUSTRALIA BUT OMITTS FOUR COUNTRIES WITH EXISTING U.S. TRADE CENTERS, AS WELL AS BRAZIL ITSELF. ITS APPENDIX F ("MARKETS LIKELY TO FACE INCREASED PROTECTIONIST PRESSURE DURING THE YEARS INCLUDED") LISTS TWO UNCLASSIFIED

UNCLASSIFIED

PAGE 04 CANBER 03111 291032Z

OF THE COUNTRIES IN WHICH EXISTING TRADE CENTERS ARE LOCATED, AS WELL AS BRAZIL ITSELF.

9. I AGREE THAT MARKETING EFFORTS SHOULD CONCENTRATE ON THOSE MARKETS IN WHICH STRONG RESOURCE POSITIONS POINT TO ABOVE AVERAGE ECONOMIC GROWTH AND PROSPERITY DURING THE COMING DECADE. THESE OBVIOUSLY INCLUDE THE OIL-RICH OPEC COUNTRIES, AS POINTED OUT IN THE STUDY. BUT THE LIST ALSO INCLUDES AUSTRALIA WHICH, WHILE NOT RICH IN OIL, IS EXTRAORDINARILY WELL-ENDOWED WITH MANY OTHER KEY TWENTIETH CENTURY RESOURCES. IT IS ONE OF THE WORLD'S LEADING PRODUCERS AND EXPORTERS OF COAL, IRON ORE, BAUXITE AND NON-FERROUS METALS, AND IT HAS POSSIBLY THE WORLD'S LARGEST RESOURCES OF URANIUM. MOREOVER, IT IS INCREASINGLY BEING RECOGNIZED THAT ONE OF THE MOST STRATEGIC RESOURCES IN THE FUTURE WORLD WILL BE THE ABILITY

TO PRODUCE AND EXPORT A SURPLUS OF FOOD. AUSTRALIA, QUITE ASIDE FROM ITS EXTRAORDINARY MINERALS ENDOWMENT, JOINS THE U.S. AND CANADA AS ONE OF THE WORLD'S THREE OUTSTANDING FOOD EXPORTERS.

10. UNDER THESE CIRCUMSTANCES, AUSTRALIA BELONGS IN THE CATEGORY OF RESOURCE-RICH, HIGH POTENTIAL MARKETS FOR THE U.S. EXPORTER. IT IS A HIGH INCOME, HIGH CONSUMPTION ECONOMY OFFERING EXCEPTIONAL OPPORTUNITIES FOR AMERICAN MARKETING AND FOR SOPHISTICATED U.S. PRODUCTS. IT HAS CONTRIBUTED ALMOST DOLS 1 BILLION A YEAR TO THE U.S. EXPORT SURPLUS - A CONTRIBUTION WHICH IS THREATENED IN THE FUTURE BY DETERMINED THIRD-COUNTRY, ESPECIALLY JAPANESE, EFFORTS TO TAKE OVER THIS MARKET. I THEREFORE FIND IT DIFFICULT TO BELIEVE THAT A SOUND COST/BENEFIT CALCULATION RESPECTING THE USE OF USG TRADE PROMOTION RESOURCES WOULD CORRECTLY IDENTIFY SYDNEY AS THE TRADE CENTER NOW TO BE CLOSED IN ORDER TO LIBERATE FUNDS FOR A BRAZIL TRADE CENTER. THE LOCAL U.S. BUSINESS COMMUNITY IS, OF COURSE, STRONGLY OPPOSED TO CLOSING THE CENTER.

11. FOR ALL OF THESE REASONS I URGE YOUR REVIEW AND RECONSIDERATION OF THIS DECISION.
THANKS.
HARGROVE

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 29 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976CANBER03111
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760164-0431
From: CANBERRA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976049/aaaaagpy.tel
Line Count: 192
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ellisoob
Review Comment: n/a
Review Content Flags:
Review Date: 13 SEP 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13 SEP 2004 by cookms>; APPROVED <09 DEC 2004 by ellisoob>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FUTURE OF SYDNEY TRADE CENTER
TAGS: BGEN, BEXP, AMGT, AS
To: COM
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006